PART IV

SECTION—1-B

CENTRAL ACTS AND ORDINANCES

GOVERNMENT OF KARNATAKA

LAW AND PARLIAMENTARY AFFAIRS SECRETARIAT

Notification No. LAW 36 LCA 1975, Bangalore dated 30th June/ 11th July 1975

The Governor of Karnataka is pleased to order that the Finance Act, 1975 (25 of 1975) which has been published in the Gazette of India, Extraordinary, Part II, Section 1, dated 12th May 1975 be republished in the *Karnataka Gazette* for general information.

M. BALAJI RAO,

Under Secretary to Government, I/c.
Dept. of Law and Parliamentary Affairs.

FINANCE ACT, 1975

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THE FINANCE ACT, 1975

ACT

to give effect to the financial proposals of the Central Government for the financial year 1975-76.

BE it enacted by Parliament in the Twenty-sixth Year of the Republic of India as follows :—

CHAPTER I

PRELIMINARY

1. *Short title and commencement.*—(1) This Act may be called the Finance Act, 1975.

(2) Save as otherwise provided in this Act, sections 2 to 30 shall be deemed to have come into force on the 1st day of April, 1975.

CHAPTER II

RATES OF INCOME-TAX

2. *Income-tax.*—(1) Subject to the provisions of sub-sections (2), (3) and (4) for the assessment year commencing on the 1st day

of April, 1975, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased,—

(*a*) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(*b*) in the cases to which Paragraphs E and F of that Part apply, by a surcharge,

calculated in each case in the manner provided therein.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where in assessee has, in the previous year, any net agricultural income, in addition to total income, and the total income exceeds six thousand rupees, then,—

(*a*) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first six thousand rupees of the total income but without being liable to tax), only for the purpose of charging income-tax in respect of the total income; and

(*b*) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased by a sum of six thousand rupees and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as to increased were the total income;

(iii) the amount by which income-tax determined in accordance with sub-clause (i) exceeds the amount of income-tax determined

in accordance with sub-clause (ii) shall be the income-tax chargeable in respect of the total income.

(3) Where in the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, (31 of 1956). The total income includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated—

(i) on the amount of profits and gains from life insurance business so included, at the rate applicable in the case of the Life Insurance Corporation of India, in accordance with Paragraph E of Part I of the First Schedule, to that part of its income which consists of profits and gains from life insurance business ; and

(iii) on the remaining part of its total income, at the rate applicable to the company on its total income.

(4) In cases to which Chapter XII or section 164 of the Income Tax Act, 1961 (hereinafter referred to as the Income-tax Act) (43 of 1961) applies, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be.

(5) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(6) Subject to the provisions of sub-section (7), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate on rates in force, such income-tax or as the case may be, "advance

tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five per cent., "advance tax" shall be computed at that rate.

(7) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income, in addition to total income, and the total income exceeds six thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(*a*) the net agricultural income shall be taken into account in the manner provided in clause (*b*) (that is to say, as if the net agricultural income were comprised in the total income after the first six thousand rupees of the total income but without being liable to tax), only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(*b*) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

(*i*) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or as the case may be Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income;

(*ii*) the net agricultural income shall be increased by a sum of six thousand rupees and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the

case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income ;

(*iii*) the amount by which income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (i) exceeds the amount of income-tax or "advance tax" determined in accordance with sub-clause (*ii*) shall be the income-tax or "advance tax" in respect of the total income.

(8) For the purposes of this section and the First Schedule,—

(*a*) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act ;

(*b*) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1975, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act ;

(c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation.—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining if the income attributable to any one or more of the aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent of such total income ;

(*d*) "insurance commission" means any remuneraion or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance) ;

(e) "net agricultural income", in relation to a person, means total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;;

(*f*) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(*g*) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

CHAPTER III

DIRECT TAXES

Income-tax

3. *Amendment of Section* 10.—In Section 10 of the Income-tax Act,—

(*a*) in sub-clause (*ii*) of clause (5),—

(*i*) in item (*a*) and item (*b*), for the words "himself, his spouse and children," the words "himself and his family," shall be substituted;

(*ii*) in the proviso, for the words "shall in no case exceed," the words "shall not, except in such cases and under such circumstances as may be prescribed having regard to the travel concession or assistance granted to the employees of the Central Government, exceed" shall be substituted;

(*iii*) the following *Explanation* shall be inserted at the end, namely :—

'*Explanation*.—For the purposes of this sub-clause, "family, in relation to an individual, means—

(*i*) the spouse and children of the individual; and

(*ii*) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual;

(*b*) after clause (10A), the following clause shall be inserted with effect from the 1st day of April, 1976, namely :—

'(10B) any compensation received by a workman under the Industrial Disputes Act, 1947 (14 of 1947) or under any other Act or rules, orders or notifications issued thereunder or under any standing orders or under any award, contract of service or otherwise, at the time of his retrenchment, to the extent such compensation does not exceed—

(*i*) an amount calculated in accordance with the provisions of clause (*b*) of section 25F of the Industrial Disputes Act, 1947 ; 14 of 1947 ; or

(*ii*) twenty thousand rupees,
whichever is less.

Explanation.—For the purposes of this clause-

(a) compensation received by a workman at the time of the closing down of the undertaking in which he is employed shall be deemed to be compensation received at the time of his retrenchment ;

(*b*) compensation received by a workman, at the time of the transfer (whether by agreement or by operation of law) of the ownership or management of the undertaking in which he is employed from the employer in relation to that undertaking to a new employer, shall be deemed to be compensation received at the time of his retrenchment if—

(*i*) the service of the workman has been interrupted by such transfer ; or

(*ii*) the terms and conditions of service applicable to the workman after such transfer are in any way less favourable to the workman than those applicable to him immediately before the transfer ; or

(*iii*) the new employer is, under the terms of such transfer or otherwise, legally not liable to pay to the workman, in the event of his retrenchment, compensation on the basis that his service has been continuous and has not been interrupted by the transfer ;

(*c*) the expressions "employer" and "workman" shall have the same meanings as in the Industrial Disputes Act, 1947'; (14 of 1947).

(*c*) in clause (13A), for the words "three hundred rupees", the words "four hundred rupees" shall be substituted;

(*d*) in clause (14), the following *Explanation* shall be inserted, and shall be deemed always to have been inserted, at the end, namely :—

"*Explanation*.—For the removal of doubts, it is hereby declared that any allowance granted to the assessee to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides shall not be regarded, for the purposes of this clause, as a special allowance granted to meet expenses wholly, necessarily and exclusively incurred in the performance of such duties";

(*e*) clause (27) shall be omitted with effect from the 1st day of April, 1976.

4. *Amendment of section* 32.—In section 32 of the Income-tax Act, in clause (*ii*) of sub-section (1), after the proviso, the following proviso shall be inserted, namely :—

"Provided further that no deduction shall be allowed under this clause or clause (*iii*) in respect of any motor car manufactured outside India, where such motor car is acquired by the assessee after the 28th day of February, 1975 and is used otherwise than in a business of running it on hire for tourists".

5. *Amendment of section* 33A.—In section 33A of the Income-tax Act, the following *Explanation* shall be inserted, and shall be deemed always to have been inserted, at the end, namely :—

"*Explanation*.—For the purposes of this section, an assessee having a leasehold or other right of occupancy in any land shall be deemed to own such land and where the assessee transfers such right, he shall be deemed to have sold or otherwise transferred such land."

6. *Amendment of section* 40A.—In section 40A of the Income-tax Act,—

(*a*) after sub-section (6), the following sub-section shall be inserted, and shall be deemed to have been inserted, with effect from the 1st day of April, 1972, namely :—

'(7) (*a*) Subject to the provisions of clause (*b*), no deduction shall be allowed in respect of any provision (whether called as such or by any other name) made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason ;

(*b*) Nothing in clause (*a*) shall apply in relation to—

(*i*) any provision made by the assessee for the purpose of payment of a sum by way of any contribution towards an approved gratuity fund, or for the purpose of payment of any gratuity, that has become payable during the previous year ;

(*ii*) any provision made by the assessee for the previous year relevant to any assessment year commencing on or after the 1st day of April, 1973 but before the 1st day of April, 1976, to the extent the amount of such provision does not exceed the admissible amount, if the following conditions are fulfilled, namely :—

(1) the provision is made in accordance with an actuarial valuation of the ascertainable liability of the assessee for payment of gratuity to his employees on their retirement or on termination of their employment for any reason ;

(2) the assessee creates an approved gratuity fund for the exclusive benefit of his employees under an irrevocable trust, the application for the approval of the fund having been made before the 1st day of January, 1976 ; and

(3) a sum equal to at least fifty per cent of the admissible amount, or where any amount has been utilised out of such provision for the purpose of payment of any gratuity before the creation of the approved gratuity fund, a sum equal to at least fifty per cent of the admissible amount as reduced by the amount so utilised, is

paid by the assessee by way of contribution to the approval gratuity fund before the 1st day of April, 1976 and the balance of the admissible amount or, as the case may be, the balance of the admissible amount as reduced by the amount so utilised, is paid by the assessee by way of such contribution before the 1st day of April, 1977.

Explanation 1.—For the purpose of sub-clause (*ii*) of clause (*b*) of this sub-section, "admissible amount" means the amount of the provision made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason, to the extent such amount does not exceed an amount calculated at the rate of eight and one-third per cent of the salary [as defined in clause (h) of rule 2 of Part A of the Fourth Schedule] of each employee entitled to the payment of such gratuity for each year of his service in respect of which such provision is made.

Explanation 2.—For the removal of doubts, it is hereby declared that where any provision made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason has been allowed as a deduction in computing the income of the assessee for any assessment year, any sum paid out of such provision by way of contribution towards an approved gratuity fund or by way of gratuity to any employee shall not be allowed as a deduction in computing the income of the assessee of the previous year in which the sum is so paid.';

(*b*) after sub-section (7) as so inserted, the following sub-section shall be inserted, with effect from the 1st day of April, 1976, namely :—

(8) Where the assessee, being a company (other than a banking company or a financial company), incurs any expenditure by way of interest in respect of any deposit received by it, fifteen per cent of such expenditure shall not be allowed as a deduction.

Explanation.—In this sub-section,—

(*a*) "banking company" means a company to which the Banking Regulation Act, 1949 (10 of 1949) applies and includes any bank or banking institution referred to in section 51 of that Act;

(*b*) "deposit" means any deposit of money with, and includes any money borrowed by, a company, but does not include any amount received by the company—

(*i*) from the Central Government or any State Government or any local authority, or from any other source where the repayment of the amount is guaranteed by the Central Government or a State Government;

(*ii*) from the Government of a foreign State, or from a citizen of a foreign State, or from any institution, association or body (whether incorporated or not) established outside India;

(*iii*) as a loan from a banking company or from a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank);

(*iv*) as a loan from any institution or body specified in the list in the Tenth Schedule or such other institution or body as the Central Government may, having regard to the nature and objects of the institution or body, by notification in the Official Gazette, specify in this behalf;

(*v*) from any other company;

(*vi*) from an employee of the company by way of security deposit;

(*vii*) by way of security or as an advance from any purchasing agent, selling agent or other agent in the course of, or for the purpose of, the business of the company or as advance against orders for the supply of goods or for the rendering of any service;

(viii) by way of subscription to any share, stock, bond or debenture (such bond or debenture being secured by a charge or a lieu on the assets of the company) pending the allotment of the said share stock, bond or debenture. or by way of advance payment of any moneys uncalled and unpaid upon any shares in the company, if such moneys are not repayable in accordance with the articles of association of the company;

(*ix*) as a loan from any person where the loan is secured by the creation of a mortgage, charge or pledge of any assets of the company (such loan being hereafter in this sub-clause referred to as the relevant loan) and the amount of the relevant loan, together with the amount of any other prior debt or loan secured by the creation of a mortgage, charge or pledge of such assets, is not more than seventy-five per cent of the price that such assets would ordinarily fetch on sale in the open market on the date of creation of the mortgage, charge or pledge for the relevant loan ;

(*c*) "financial company" means—

(i) a hire-purchase finance company, that is to say, a company which carries on, as its principal business, hire-purchase transactions or the financing of such transactions ; or

(ii) an investment company, that is to say, a company which carries on, as its principal business, the acquisition of shares, stock bonds, debentures, debenture stock, or securities issued by the Government or a local authority, or other marketable securities of a like nature ; or

(iii) a housing finance company, that is to say, a company which carries on, as its principal business, the business of financing of acquisition or construction of houses, including acquisition or development of land in connection therewith ;

(iv) a loan company, that is to say, a company [not being a company referred to in sub-clauses (i) to (iii)] which carries on, as its principal business, the business of providing finance, whether by making loans or advances or otherwise ;

(v) a mutual benefit finance company, that is to say, a company which carries on, as its principal business the business of acceptance of deposits from its members and which is declared by the Central Government under section 620A of the Companies Act, 1956 (1 of 1956) to be a *Nidhi* or Mutual Benefit Society ;

(vi) a miscellaneous finance company, that is to say, a company which carries on exclusively, or almost exclusively, two or more classes of business referred to in the preceding sub-clauses'.

7. *Amendment of section 43.*—In section 43 of the Income-tax Act, in the proviso to clause (1), after words, figures and letters "the 31st day of March, 1967" the words, fiugres and letters "but before the 1st day of March, 1975," shall be inserted.

8. *Insertion of new section 44B.*—In the Income-tax Act, after section 44A, the following section shall be inserted with effect from the 1st day of April, 1976, namely :—

'44B. *Special provision for computing profits and gains of shipping business in the case of non-residents.*—(1) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, engaged in the business of operation of slips, a sum equal to seven and a half per cent of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession".

(2) The amounts referred to in sub-section (1) shall be the following, namely :—

(i) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, live-stock mail or goods shipped at any port in India ; and

(ii) the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, live-stock, mail or goods shipped at any port outside India'.

9. *Amendment of section 52.*—In section 52 of the Income-tax Act, in sub-section (2), the following proviso shall be inserted, and shall be deemed to have been inserted, with effect from the 1st day of April 1974, namely :—

"Provided that this sub-section shall not apply in any case—

(a) where the capital asset is transferred to the Government, or

(b) where the full value of the consideration for the transfer of the capital asset is determined or approved by the Central

Government or the Reserve Bank of India and the adequacy of the full value of the consideration so determined or approved is not questioned by the assessee.".

10. *Amendment of section 80C.*—In section 80C of the Income-tax Act, for sub-section (1), the following sub-section shall be substituted with effect from the 1st day of April, 1976, namely :—

"(1) In computing the total income of an assessee, there shall be deducted, in accordance with and subject to the provisions of this section, an amount calculated, with reference to the aggregate of the sums specified in sub-section (2), at the following rates, namely :—

(*a*) where such aggregate does not exceed Rs. 4,000	The whole of such aggregate ;
(*b*) where such aggregate exceeds Rs. 4,000 but does not exceed Rs. 10,000	Rs. 4,000 *plus* 50 per cent of the amount by which such 4,000 ;
(*c*) where such aggregate exceeds Rs. 10,000	Rs. 7,000 *plus* 40 per cent of the amount by which such aggregate exceeds Rs. 10,000."

11. *Insertion of new Section 80FF. Deduction in respect of expenses on higher education in certain cases*—In the Income-tax Act, after Section 80F, the following section shall be inserted, with effect from the 1st day of April, 1976, namely :—

'80FF. (1) Where an individual, who is a citizen of India and whose gross total income does not exceed twelve thousand rupees, has expended any sum during the previous year out of his income chargeable to tax for the full time education of a dependent, he shall, in accordance with and subject to the provisions of this section, be allowed a deduction of the amount specified in sub-section (2) in the computation of his total income.

2) The amount referred to in sub-section (1) shall be—

(*i*) in a case where the individual has a dependent undergoing a degree or post-graduate course in medicine (including surgery and obstetrics) or architecture or engineering or technology or business management, one thousand rupees in respect of each such dependent; and

(*ii*) in a case where the individual has a dependent undergoing a diploma course in medicine (including surgery and obstetrics or architecture or engineering or technology or business management, or undergoing any degree or post-graduate course, other than a degree or post-graduate course referred to in clause (*i*), five hundred rupees in respect of each such dependent:

Provided that where the individual has, during the previous year, incurred expenditure on the education of more than two dependents as aforesaid, the deduction under sub-section (1) shall be allowed only with reference to two such dependents as may be chosen by him.

Explanaion.—For the purposes of this sub-section,—

(*a*) "dependent", in relation to an individual, means a child borther or sister of the individual, wholly or mainly dependent on the individual;

(*b*) "degree course", "post-graduate course" and "diploma course'" include respectively any course of study for obtaining a qualification, which though not described as a degree or post-graduate qualificaion or diploma, is recognised for purposes of employment under the Central Government as equivalent to a degree, post-graduate qualification or diploma.

12. *Amendment of Section* 80J.—In Section 80J of the Income tax Act,—

(*a*) in sub-section (1), the following proviso shall be inserted at the end with effect from the 1st day of April, 1976, namely:—

Provided that in relation to the profits and gains derived by an assessee, being a company, from an industrial undertaking which

begins to manufacture or produce articles or to operate its cold storage plant or plants after the 31st day of March 1976, or from a ship which is first brought into use after that date, or from the business of a hotel which starts functioning after that date, the provisions of this sub-section shall have effect as if for the words "six per cent", the words "seven and a half per cent" had been substituted ;

(*b*) in sub-section (4), —

(i) in clause (ii), the words and brackets "a building (not being a building taken on rent or lease)", shall be omitted with effect from the 1st day of April, 1976 ;

(ii) in clause (iii), for the words "twenty-eight years", the words "thirty-three years" shall be substituted ;

(*iii*) the following proviso and *Explanations* shall be inserted at the end with effect from the 1st day of April, 1976, namely :—

"Provided further that, where any building or any part thereof previously used for any purpose is transferred to the business of the industrial undertaking, the value of the building or part so transferred shall not be taken into account in computing the capital employed in the industrial undertaking.

Explanation 1.—For the purposes of clause (*ii*) of this sub-section, any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if the following conditions are fulfilled, namely :—

(*a*) such machinery or plant was not, at any time, previous to the date of the installation by the assessee, used in India ;

(*b*) such machinery or plant is imported into India from any Country outside India ; and

(*c*) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of the Indian Income-tax Act, 1922, (11 of 1922) or this Act in computing the total income of any person for any period

prior to the date of the installation of the machinery or plant by the assessee.

Explanation 2.—Where in the case of an industrial undertaking, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent of the total value of the machinery or plant used sub-section, business, then, for the purposes of clause (*ii*) of this sub-section, the condition specified herein shall be deemed to have been complied with and the total value of the machinery or plant or part so transferred shall not be taken into account in computing the capital employed in the industrial undertaking";

(*c*) in sub-section (5), in clause (*iii*), for the words "twenty-eight years", the words "thirty-three years" shall be substituted;

(*d*) in sub-section (6),—

(*i*) for clause (*a*), the following clause shall be sustituted, namely :—

"(*a*) the business of the hotel is not formed by the splitting up, or the reconstruction of a business already in existence or by the transfer to a new business of a building previously used as a hotel or of any machinery or plant previously used for any purpose";

(*ii*) after clause (*d*), the following clause shall be inserted, namely :—

"(*e*) the business of the hotel starts functioning on or after the 1st day of April, 1961, but before the 1st day of April, 1981";

(*iii*) for the *Explanation*, the following *explanation* shall be substituted, with effect from the 1st day of April, 1976, namely :—

"*Explanation.*—Where in the case of the business of a hotel, any building, or any part thereof, previously used as a hotel, or any machinery or plant, or any part thereof, previously used for any purpose, is transferred to a new business and the total value of the building, machinery or plant or part so transferred does not exceed twenty per cent of the total value of the building, machinery or

plant used in the business, then, for the purposes of clause (*a*) of this sub-section, the condition specified therein shall be deemed to have been complied with and the total value of the building, machinery or plant or part so transferred shall not be taken into account in computing the capital employed in the business of the hotel.";

(*e*) after sub-section (6), the following sub-sections shall be inserted with effect from the 1st day of April, 1976, namely :—

'(6A) Where the assessee is a person other than a company or a co-operative society, the deduction under sub-section (1) from profits and gains derived from an industrial undertaking shall not be admissible unless the accounts of the industrial undertaking for the previous year relevent to the assessment year for which the deduction is claimed have been audited by an accountant, as defined in the *Explanation* below sub-section (2) of section 288, and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

(6B) Where any goods held for the purposes of the business of the industrial undertaking or the hotel or the operation of the ship one transferred to any other business carried on by the assessee, or where any goods held for the purposes of any other business carried on by the assessee are transferred to the business of the industrial undertaking or the hotel or the operation of the ship and, in either case, the consideration, if any, for such transfer as recorded in the accounts of the business of the industrial undertaking or the hotel or the operation of the ship does not correspond to the market value of such goods as on the date of the transfer, then, for the purposes of the deduction under this section, the profits and gains of the industrial undertaking or the business of the hotel or the operation of the ship shall be computed as if the transfer, in either case, had been made at the market value of such goods as on that date :

Provided that where, in the opinion of the Income-tax Officer, the computation of the profits and gains of the industrial undertaking or the business of the hotel or the operation of the ship in the manner hereinbefore specified presents exceptional difficulties, the Income-tax Officer may compute such profits and gains on such reasonable basis as he may deem fit.

Explanation.—In this sub-section, "market value", in relation to any goods, means the price that such goods would ordinary fetch on sale in the open market.

(6C) Where it appears to the Income-tax Officer that, owing to the close connection between the assessee carrying on the business of the industrial undertaking or the hotel or the operation of the ship to which this section applies and any other person, or for any other reason, the course of business between them is so arranged that the business transacted between them produces to the assessee more than the ordinary profits which might be expected to arise in the business of the industrial undertaking or the hotel or the operation of the ship, the Income-tax Officer shall, in computing the profits and gains of the industrial undertaking or the hotel or the ship for the purposes of the deduction under this section, take the amount of profits as may be reasonably deemed to have been derived therefrom.".

13. *Insertion of new section 80JJ. Deduction in respect of profits and gains from business of live-stock breeding or poultry or dairy farming.*—In the Income-tax, Act, after section 80J, the following section shall be inserted with effect from the 1st day of April, 1976, namely :—

"80JJ. Where the gross total income of an assessee includes any profits and gains derived from a business of live-stock breeding, or poultry or dairy farming, there shall be allowed, in computing the total income of the assessee, a deduction as specified hereunder, namely :—

(*a*) in a case where the amount of such profits and gains does not exceed, in the aggregate, ten thousand rupees, the whole of such amount ; and

(*b*) in any other case, one-third of the aggregate amount of such profits and gains or ten thousand rupees, whichever is higher.".

14. *Amendment of section 80K.*—In section 80K of the Income-tax Act, the following proviso shall be inserted at the end, namely:—

"Provided that no deduction under this section shall be allowed in respect of any income by way of dividends which is attributable

to the profits and gains derived by the company from an industrial undertaking which begins to manufacture or produce articles or to operate its cold storage plant or plants after the 31st day of March, 1976 or from a ship which is first brought into use after that date or from the business of a hotel which starts functioning after that date.".

15. *Amendment of section* 80M.—In section 80M of the income-tax Act, in sub-section (1), for clauses (*a*) and (*b*), the following causes shall be substituted with effect from the 1st day of April, 1976, namely :—

"(*a*) where the assessee is a domestic company—

(*i*) in respect of such income by way of dividends from a company formed and registered under the Companies Act, 1956, (1 of 1956) after the 28th day of February 1975 and engaged exclusively or almost exclusively in the manufacture or production of any one or more of the articles or things specified in items 11 and 18, item 23 (excluding refractories) and item 24 in the list in the Ninth Schedule	the whole of such income ;
(*ii*) in respect of such income by way of dividends other than the dividends referred to in sub-clause (*i*)	sixty per cent. of such income ;
(*b*) where the assessee is a foreign company, in respect of such income by way of dividends	sixty-five per cent. of such income.".

16. *Amendment of Section* 80QQ.—In Section 80QQ of the Income-tax Act, in sub-section (1), fo rthe words "four assessment years", the words "nine assessment years" shall be substituted.

17. *Insertion of new Section* 80 *RRA*.—In the Income-tax Act, after Section 80 RR, the following section shall be inserted, namely :—

Deduction in respect of remuneration from foreign employers.—'80RRA. (1) Where the gross total income of an individual who is a citizen of India includes any remuneration received by him from any foreign employer for any service rendered by him outside India, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the individual, a deduction from such remuneration of an amount equal to fifty per cent thereof :

Provided that where the individual renders continuous service outside India under or for the foreign employer for a period exceeding thirty-six months, no deduction under this section shall be allowed in respect of the remuneration for such service relating to any period after the expiry of the thirty-six months aforesaid.

(2) The deduction under this section shall be allowed—

(*i*) in the case of an individual who is or was, immediately before undertaking the service under or for the foreign employer, in the employment of the Central Government or any State Government, only if such service is sponsored by the Centrall Government ; and

(*ii*) in the case of any other individual, only if he is a technician and the contract of service under or for the foreign employer is approved in this behalf by the Central Government or the prescribed authority.

Explanation 1.—In this Section, "Foreign employer" means,—

(*a*) the Government of a foreign State ; or

(*b*) a foreign enterprise ; or

(*c*) any association or body established outside India.

Explanation 2.—For the purposes of this section, "technician" means a person having specialised knowledge and experience in—

(*i*) constructional or manufacturing operatios or mining or the generation or distribution of electricity or any other form of power ; or

(*ii*) agriculture, animal husbandry, dairy farming, deep sea fishing or ship building ; or

(*iii*) public administration or industrial or business management ; or

(*iv*) accountancy ; or

(*v*) any field of natural or applied science (including medical science) or social science ; or

(*vi*) any other field which the Board may prescribe in this behalf,

who is employed by the foreign employer in a capacity in which such specialised knowledge and experience are actually utilised'.

18. *Substitution of new section for Section* 106 *Period of limitation for making orders under Section* 104.—In the Income-tax Act, for Section 106, the following section shall be substituted, namely :—

"106. No order under Section 104 shall be made at any time after—

(*a*) the expiry of—

(*i*) four years from the end of the assessment year relevant to the previous year referred to in sub-section (1) of that section, where such assessment year is an assessment year commencing on or before the 1st day of April, 1974 ;

(*ii*) two years from the end of the assessment year relevant to the previous year referred to in sub-section (1) of that section, where such assessment year is an assessment year commencing after the 1st day of April, 1974 ; or

(*b*) the expiry of one year from the end of the financial year in which the assessment or re-assessment of the profits and gains of the previous year referred to in sub-section (1) of that section is made, whichever is later :

Provided that the period of limitation specified in this section shall not apply in a case where the company has made an application to the Board under Section 107A ".

19. *Amendment of Section* 172.—In Section 172 of the Income-tax Act, with effect from the 1st day of June 1975,—

(*a*) in sub-scion (1), the words, "unless the Income-tax Officer is satisfied that there is an agent of the non-resident from whom the tax will be recoverable under the other provisions of this Act" shall be ommitted;

(*b*) in sub-section (2), for the words "one-sixth", the words "seven and a half per cent" shall be substituted.

20. *Amendment of Section* 194A.—(1) In Section 194A of the Income-tax Act,—

(a) in sub-section (3),—

(*i*) for clause (i), the following clause shall be substituted, namely:—

"(*i*) where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the person referred to in sub-section (1) to the account of, or to, the payee, does not exceed one thousand rupees;"

(*ii*) after clause (vii), the following clause shall be inserted, namely:—

"(*viii*) to such income credited or paid by the Central Government under any provision of this Act or the Indian Income-tax Act, 1922 (11 of 1922) or the Estate Duty Act, 1953 (34 of 1953) or the Wealth-tax Act, 1957 (27 of 1957) or the Gift-tax Act, 1958 (18 of 1958) or the Super Profits Tax Act, 1963 (14 of 1963) or the Companies (Profits) Surtax Act, 1964 (7 of 1964) or the Interest-tax Act, 1974", (45 of 1974):

(*b*) after sub-section (3), the following sub-section shall be inserted namely:—

"(4) The person responsible for making the payment referred to in sub-section (1) may, at the time of making any deduction, increase

or reduce the amount to be deducted under this section for the purpose of adjusting any excess or deficiency arising out of any previous deduction or failure to deduct during the financial year".

(2) Notwithstanding the substitution of clause (i) of sub-section (3) of Section 194A of the Income-tax Act by sub-section (1) of this section nothing in Section 201 or Section 276B of that Act shall apply to, or in relation to, any failure to deduct income-tax under sub-section (1) of the said Section 194A on any income by way of interest other than income chargeable under the head "Interest on securities" credited or paid on or after the 1st day of April, 1975 but before the 1st day of June, 1975, where the income so credited or paid at any one time does not exceed four hundred rupees.

21. *Amendment of Section 195.*—In Section 195 of the Income-tax Act, in sub-section (1), after the proviso, the following proviso shall be inserted namely :—

'Provided further that the deduction of income-tax from any sum, being income chargeable under the head "Capital gains" relating to capital assets other than short-term capital assets, paid to a company which is neiher an Indian company nor a company which has made the perscribed arrangements for the declaration and payment of dividends within India, shall be of an amount equal to the amount of income-tax on such sum calculated in accordance with the provisions of clause (i) of Section 115.".

22. *Amendment of Ninth Schedule.*—In the Income-tax Act, in the Ninth Schedule [as directed to be inserted by Section 16 of the Direct Taxes (Amendment) Act, 1974] (26 of 1974) after item 23, the following item and *Explanation* shall be inserted with effect from the 1st day of April, 1976 namely :—

"24. Pesticides.

Explanation.—The article specified in item 24 does not include any formulation of pesticides unless the formulation is prepared by the manufacturer or producer of the basic pesticidal chemicals from which such formulation has been prepared".

23. *Insertion of Tenth Schedule.*—In the Income-tax Act, the following Schedule shall be inserted at the end with effect from the 1st day of April, 1976, namely :—

"THE TENTH SCHEDULE

[*See* section 40A (8)]

List of institutions and bodies

1. The Industrial Finance Corporation of India, established under the Industrial Finance Corporation Act, 1948 (15 of 1948).

2. Financial Corporations or Jonit Financial Corporations, established under the State Financial Corporations Act, 1951 (63 of 1951) and any institution deemed under section 46 of that Act to be a Financial Corporation established by the State Goevrnment for the State within the meaning of that Act.

3. The Shipping Development Fund Committee, constituted under section 15 of the Merchant Shipping Act, 1958 (44 of 1958)

4. The Unit Trust of India, established under the Unit Trust of India Act, 1963 (52 of 1963).

5. The Industrial Development Bank of India, established under the Industrial Development Bank of India Act, 1964 (18 of 1964).

6. State Electricity Boards, constituted under the Electricity (Supply) Act, 1948 (54 of 1948).

7. The Life Insurance Corporation of India, established under the Life Insurance Corporation Act, 1956 (31 of 1956).

8. The Rehabilitation Industries Corporation of India Limited.

9. The State Trading Corporation of India Limilited.

10. The Minerals and Metal Trading Corporation of India Limited.

11. The Rural Electrification Corporation Limited.

12. The Agricultural Finance Corporation Limited.

13. The Industrial Reconstruction Corporation of India Limited.

14. The Industrial Credit and Investment Corporation of India Limited.

15. The National Industrial Development Corporation of India Limited.

16. The State Industrial and Investment Corporation of Maharashtra Limited."

24. Consequential Amendments to certain sections.—(1) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, namely :

In section 155,—

(*a*) in sub-section (5A), the following *Explanation* shall be inserted, and shall be deemed always to have been inserted, at the end, namely :

"*Explanation*.—For the purposes of this sub-sectioin, where an assessee having any leasehold or other right of occupancy in any land transfers such right, he shall be deemed to have sold or otherwise transferred such land." ;

(*b*) after sub-section (12), the following sub-section shall be inserted, namely :—

'(13) Where in the assessment for any year, any provision made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason has not been allowed as a deductioin in the computation of the income of the assessee under the read "Profits and gains of business or profession" on the ground that all the conditions specified in sub-clause (*ii*) (2) and sub-clause (*ii*) (3) of clause (*b*) of sub-section (7) of section 40A had not been complied with before the assessment was made and subsequently the assessee complies with such of those conditions as had not been complied with the disallowance originally

made shall be deemed to have been wrongly made and the Income-tax Officer shall, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make the necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the financial year ending on the 31st day of March, 1977.'.

(2) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act with effect from the 1st day of April, 1976, namely:

(*a*) in sub-clause (*ii*) of clause (3) of section 17, after the word, brackets, figures and letter "clause (10A),", the word, brackets, figures and letter "clause (10B)," shall be inserted;

(*b*) in sub-section (3) of section 80A, after the words, figures and letter "or Section 80J", the words, figures and letters "or section 80JJ" shall be inserted;

(*c*) in sub-section (3) of section 80P,—

(*i*) after the words, figures and letter "or section 80J", the words, figures and letter "or section 80J" shall be inserted;

(*ii*) for the words, figures and letters "section 80 HH and section 80J", the words, figures and letters "section 80 HH, section 80J and section 80JJ" shall be substituted.

Wealth-tax

25. *Amendment of section 2.*—In section 2 of the Wealth-tax Act, 1957, (27 of 1957), (hereinafter referred to as the Wealth-tax Act), for clause (h), the following clause shall be substituted, namely:

'(*h*) "company" means a company formed and registered under the Companies Act, 1956 (1 of 1956), and includes—

(*i*) a company formed and registered under any law relating to companies formerly in force in any part of India;

(*ii*) a corporation established by or under a Central, State or Provincial Act;

(*iii*) any institution, association or body, whether incorporated or not and whether Indian or non-Indian, which the Board may, having regard to the nature and objects of such institution, association or body, declare by general or special order to be a company :

Provided that such institution, association or body shall be deemed to be a company only for such assessment year or assessment years (whether commencing before the 1st day of April, 1975 or on or after that date) as may be specified in the declaration ;

(*iv*) any body corporate incorporated by or under the laws of a country outside India.'.

26. *Amendment of section* 4.—In section 4 of the Wealth-tax Act, for sub-section (3), the following sub-section shall be substituted namely—

"(3) Where the value of any assets is to be included in the net wealth of an assessee in accordance with clause (*a*) of sub-section (1),—

(*a*) there shall be deducted from such value any debts owing on the valuation date by the transferee mentioned in that clause in so far as such debts are referable to such assets ; and

(*b*) the provisions of section 5 shall apply in relation to such assets as if such assets were assets belonging to the assessee."

27. *Amendment section* 5.—In section 5 of the Wealth-tax Act,—

(*a*) in sub-section (1),—

(*i*) in the second proviso to clause (*viii*,) for the words "twenty-five thousand rupees", the words "thirty thousand rupees" shall be substituted ;

(*ii*) after clause (*viiia*), the following clasue shall be inserted with effect from the 1st day of April, 1976, namely—

"(*viiib*) trees standing on agricultural land, not being trees in an orchard or a plantation" ;

(*iii*) in clauses (*xx*) and (*xxviii*), the words "held by the assessee" shall be omitted;

(*iv*) after clause (*xx*), the following clause shall be inserted, namely:—

"(*xxa*) the value of any equity shares in any company of the type referred to in clause (d) of section 45 which is established with the main object of carrying on the business of manufacture or production of any one or more of the articles or things specified in the list in the Ninth Schedule to the Income-tax Act, where such shares form part of the initial issue of equity share capital made by the company after the 28th day of February, 1975, for a period of five successive assessment years commencing with the assessment year next following the date on which such shares were first issued";

(*v*) in clause (*xxiii*), for the brackets, words and figures "[not being shares referred to in clause (*xx*)] held by the assessee", the brackets, words, figures and letter "[not being shares referred to in clause (*xx*) or clause (*xxa*)]" shall be substituted;

(*b*) in the proviso to sub-section (1A), for the words "held by the assessee", the words "owned by the assessee" shall be substituted;

(*c*) in sub-section (3),—

(*i*) for the brackets and figures "(xix)", the brackets, figures and letter "(*xix*), (*xxa*), shall be substituted;

(*ii*) for the words "held by him", the words "owned by him" shall be substituted;

(*iii*) in the *Explanation*, for the words "ceased to hold" the words "ceased to own" and for the words "held such other asset" the words "has owned such other asset" shall be substituted.

28. *Amendment of section 45.*—In section 45 of the Wealth-tax Act, after clause (*g*), the following clause shall be, and shall be deemed always to have been, inserted, namely;—

"(*h*) any company incorporated outside India which has no place of business in India.".

Gift-tax

29. *Amendment of Act 18 of 1958.*—In section 4 of the Gift-tax Act, 1958, in clause (*a*) of sub-section (1), the folowing proviso shall be inserted, and shall be deemed to have been inserted at the end, with effect from the 1st day of April, 1974, namely :—

"Provided that nothing contained in this clause shall apply in any case where the property is transferred to the Government or where the value of the consideration for the transfer is determined or approved by the Central Government or the Reserve Bank of India.".

Miscellaneous

30. *Amendment of Act 20 of 1974.*—In section 16 of the Finance Act, 1974, in clause (a), for the words figures and letters "the 1st day of June, 1975", the words, figures and letters "the 1st day of January, 1977" shall be substituted.

CHAPTER IV

INDIRECT TAXES

31. *Auxiliary duties of customs.*—(1) In the case of goods mentioned in the First Schedule to the Indian Tariff Act, 1934 (32 of 1934), (hereinafter referred to as the Tariff Act), or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of customs an amount equal to twenty per cent of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962 (52 of 1962), hereinafter referred to as the Customs Act).

(2) Sub-section (1) shall cease to have effect after the 30th day of June, 1976, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act 1897, (10 of 1897), shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The auxiliary duties of customs referred to in sub-section (1) shall be in addition to any duties of customs chargeable on such goods under the Customs Act, or any other law for the time being in force.

(4) The provisions of he Customs Act, and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations, as the case may be.

32. *Amendment of Act 1 of 1949.*—In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1975", the figures "1976" shall be substituted.

33. *Amendment of Act 1 of 1944.*—In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act),—

(*a*) in section 2, in clause (*f*) after sub-clause (*i*), the following sub-clause shall be inserted, namely :—

"(*ia*) in relation to manufactured tobacco, includes the labelling or re-labelling of containers and repacking from bulk packs to retail packts or the adoption of any other treatment to render the product marketable to the consumer;";

(*b*) the First Schedule shall be amended in the manner specified in Parts I and II of the Second Schedule.

(2) The amendment made to Item No. 18 in the First Schedule to the Central Excises Act by paragraph (*ii*) of Part II of the Second Schedule to this Act shall be deemed to have had effect on and from the 1st day of March, 1975 and accordingly—

(*a*) refunds shall be made of all duties collected which would not have been collected if the amendment had come into force on that date; and

(*b*) recoveries shall be made of all duties which have not been collected but which would have been collected if the amendment had so come into force.

34. *Auxiliary duties of excise.*—(1) In the case of goods mentioned in the First Schedule to the Central Excises Act, or in that Schedule as amended from time to time, there shall be levied and collected as an auxiliary duty of excise an amonut equal to twenty per cent of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act.

(2) Sub-section (1) shall cease to have effect after the 30th day of June, 1976, except as respects things done or omitted to be done before such cessor; and section 6 of the General Clauses Act, 1897, (10 of 1897), shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

(3) The auxiliary duties of excise referred to in sub-section (1) shall be in addition to any duties of excise chargeable on such goods under the Central Excises Act, or any other law for the time being in force.

(4) The auxiliary duties of excise leviable under sub-section (1) in the financial year 1975-76 shall be for the purposes of the Union and the proceeds thereof shall not be distributed among the States and the auxiliary duties of excise leviable under sub-section (1) in the financial year 1976-77 shall, for the purposes of section 2 of the Union Duties of Excise (Distribution) Act, 1962, (3 of 1962) be deemed to be auxiliary duties of excise levied and collected under the Finance Act of the financial year 1976-77 and the provisions of the 1962 Act aforesaid shall apply accordingly.

(5) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the auxiliary duties of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules, as the case may be.

35. *Amendment of Act 58 of 1957.*—The First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957 shall be amended in the manner specified in the Third Schedule.

36. *Discontinuance of salt duty.*—For the year beginning on the 1st day of April, 1975, no duty under the Central Excises Act or the Tariff Act shall be in respect of salt manufactured in, or imported into, India.

87. *Special provisions as to duties of excise on skelp.*—(1) Notwithstanding any judgment, decree or order of any court, in all Central laws, providing for or relating to the levy on iron or steel products of duties of excise, as in force during or at any time during the period commencing with the appointed day and ending with the skelp from strips; and

(*I*) any reference to strips shall be construed as including and as having always included skelp as defined in *Explanation* 2 unless such Central law excluded, expressly or by necessary implication, skelp from strips; and

(II) any reference to skelp shall be construed as having and having always had the meaning assigned to it in *Explanation* 2, and accordingly—

(*a*) all duties of excise levied, assessed or collected or purporting to have been levied, assessed or collected on skelp, as defined in Explanation 2, under any such Central law shall be deemed to be as validly levied, assessed or collected as if the provisions of this section had been in force at all material times when such duties of excise were levied, assessed or collected;

(*b*) no suit or other proceeding shall be maintained or continued in any court for the refund of, and no enforcement shall be made by any court of any decree or order directing the refund of, any such duties of excise which have been collected and which would have been validly collected if the provisions of this section had been in force at all material times when such duties were collected;

(*c*) refunds shall be made of all such duties of excise which have been collected but which would not have been collected if the provisions of this section had been in force at all material times when such duties were collected; and

(*d*) recoveries shall be made of all such duties of excise which have not been collected but which would have been collected if the provisions of this section had been in force as from the appointed day.

Explanation 1.—In this sub-section—

(*a*) "appointed day" means the 24th day of April, 1962, being the day immediately following the date of introduction of the Finance (No. 2) Bill, 1962, which, *inter alia*, provided for the levy of duties of excise on strips;

(*b*) "Central law" means—

(i) a Central Act;

(ii) any provision in a Bill introduced in the House of the People in respect of which a declaration was made under section 8 of the Provisional Collection of Taxes Act, 1931 (16 of 1931);

(iii) any rule or notification made or issued under such Central Act or provision;

(*c*) "duties of excise" include regulatory duties of excise and auxiliary duties of excise.

Explanation 2.—For the purposes of this section, "skelp" means hot rolled narrow strip of width not exceeding six hundred millimetres with rolled (square, slightly round or bevelled) edge.

(2) For the removal of doubts, it is hereby declarred that no act or omission on the part of any person shall be punishable as an offence which would not have been so punishable if this section had not come into force.

CHAPTER V

Central Sales Tax

38. *Amendment of Act 74 of 1956.*—In the Central Sales Tax Act, 1956, with effect from the 1st day of July, 1975,—

(1) in section 6, in sub-section (2), in clause (*a*) of the second proviso, for the words "three per cent.", the words "four per cent." shall be substituted;

(2) in section 8,—

(*a*) in sub-section (1), for the words "three per cent.", the words "four per cent." shall be substituted;

(*b*) in sub-section (2), in clause (a), for the words "at the rate", the words "at twice the rate" shall be substituted;

(c) in sub-section (2A),—

(i) for the words, brackets and figure "or sub-section (2)", the words, brackets, letter and figure "or clause (*b*) of sub-section (2)" shall be substituted;

(ii) for the words "three per cent.", the words "four per cent." shall be substituted;

(3 in section 15, in cluase (*a*), for the words "three per cent.' the words "four per cent." shall be substituted.

THE FIRST SCHEDULE

(*See* section 2)

PART I

INCOME-TAX AND SURCHARGE ON INCOME-TAX

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vii) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 6,000	*Nil* ;
(2) where the total income exceeds Rs. 6,000 but does not exceed Rs. 10,000	12 per cent of the amount by which the total income exceeds Rs 6,000 ;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 480 *plus* 15 per cent of the amount by which the total income exceeds Rs. 10,000
(4) where the total income exceeds Rs 15 000 but does not exceed Rs. 20,000	Rs 1,230 *plus* 20 per cent. of the amount by which the the total income exceeds Rs. 15,000 ;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,230 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000 ;
(6) where the total income exceeds Rs. 25.000 but does not exceed Rs. 30,000	Rs. 3,730 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000 ;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5,730 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000 ;
(8) where the total income exceeds Rs 50,000 but does not exceed Rs. 70,000	Rs. 15,730 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000 ;
(9) where the total income exceeds Rs. 70 000	Rs. 27,730 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 70,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragragh II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1975 exceeds Rs. 6,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 6,000	*Nil*;
(2) where the total income exceeds Rs. 6 000 but does not exceed Rs. 10,000	15 per cent. of the amount by which the total income exceeds Rs. 6,000;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 600 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,600 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 15,000;
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 3,100 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 5,100 *plus* 50 per cent of the amount by which the total income exceeds Rs. 25,000;
(7) where the total income exceeds Rs 30 000 but does not exceed Rs 50,000	Rs, 7,600 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 30,000;
(8) where the total income exceeds Rs. 50,000	Rs. 19,600 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 50,000.

Surcharge on Income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph B

In the case of every co-operative society.—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	15 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceeds Rs. 20,000	Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds. Rs. 20,000

Surcharge on income tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

(1) where the total income does not exceed Rs 10,000	*Nil*;
(2) where the total income exceeds Rs 10,000 but does not exceed Rs. 25,000	5 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) Where the total income exceeds Rs. 50,000 but does not exceed Rs 50,000	Rs. 750 *plus* 7 per cent. of the amount by which total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs 1,00,000	Rs. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 10,000 *plus* 24 per cent of the amount by which the total income exceeds Rs, 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	*Nil*;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2,350 *puls* 13 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Explanation.—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income	50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956)

Rates of income-tax

(i) on that part of its total income which consists of profits and gains from life insurance business	52·5 per cent.;
(ii) on the balance, if any, of the total income	the rate of income-tax applicable in accordance with Paragraph F of this Part, to the the total income of a domestic company which is a company in which he public are substantially interested.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956 (31 of 1956),

Rates of Income-tax

I. In the case of a domestic company,—

(1) where the company is a company in which the public are substantially interested,—	
(i) in a case where the total income does not exceed Rs. 1,00,000	45 per cent of the total income,
(ii) in a case where the total income exceeds Rs. 1,00,000	55 per cent of the total income;

(2) where the company is not a company in which the public are substantially interested,—

(*i*) in the case of an industrial company—

(*a*) on so much of the total income as does not exceed Rs. 2,00,000 — 55 per cent;

(*b*) on the balance, if any, of the total income — 60 per cent;

(*ii*) in any other case — 65 per cent. of the total income:

Provided that the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent of the amount by which its total income exceeds Rs. 1,00,000.

II. In the case of a company other than a domestic company—

(*i*) on so much of the total income as consists of—

(*a*) royalties recived from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or

(*b*) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,

and where such agreement has, in either case, been approved by the Central Government. — 50 per cent;

(*ii*) on the balance, if any, of the total income — 70 per cent

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent of such income-tax.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of section 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction to the following rates :

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(*a*) where the person is resident—		
(*i*) on income by way of interest other than "Interest on securities"	10 per cent	*Nil*;
(*ii*) on income by way of winnings from lotteries and crossword puzzles	30 per cent	3 per cent
(*iii*) on income by way of insurance commission	10 per cent	*Nil*
(*iv*) on any other income (excluding interest payable on a tax-free security)	21 per cent	2 per cent,
(*b*) where the person is not resident in India—		
(*i*) on the whole income (excluding interest payable on a tax-free security)	income-tax at 30 per cent and surcharge at 3 per cent of the amount of the income, or income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher ;	

	Income-tax	
	Rate of income-tax	Rate of surcharge
(ii) on income by way of interest payable on a tax-free security	15 per cent,	1·5 per cent.
2. In the case of a company.—		
(a) where the company is a domestic company—		
(i) on income by way of interest other than "Interest on securities"	20 per cent.	1 per cent.;
(ii) on any other income (excluding interest payable on a tax-free security)	22 per cent.	1 per cent.;
(b) where the company is not a domestic company...		
(i) on income by way of dividends payable by any domestic company	24·5 per cent.	1·225 per cent.;
(ii) on income by way of royalties payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March 1961, and which has been approved by the Central Government	50 per cent.	2·5 per cent.;
(iii) on income by way of fees payable by an Indian concern for rendering technical services in pursuance of an agreement made by it with the Indian concern after the 29th day of February 1964, and which has been approved by the Central Government	50 per cent.	2·5 per cent.;
(iv) on income by way of interest payable on a tax-free security	44 per cent.	2·2 per cent.;
(v) on any other income	70 per cent.	3·5 per cent.;

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax"

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeble under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act as to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance-tax" (not being "advance tax" in respect of any income chargeable to tax under section 164 of the Income-tax Act at the rate of sixty-five percent.) shall be so calculated, charged, deducted or computed at the following rate or rates :—

Paragraph A

Sub-Paragraph I

In the case of every individual or Hindu undivided family or un-registered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 6,000	Nil ;
(2) where the total income exceeds Rs. 6,000 but does not exceed Rs. 10,000	12 per cent. of the amount by which the total income exceeds Rs. 6,000 ;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 480 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000 ;
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,230 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000

(5) where the total income exceeds Rs. 20,000 but does not exceeds Rs.25,000	Rs. 2,230 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 3760 *plus* 40 per cent. of the amount by which the total income exceeds Rs 25,000;
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 5,730 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30 000;
(8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 15,730 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000
(9) where the total income exceeds Rs. 70.000	Rs. 27,730 *plus* 70 per cent. of the amount by which the total income exceeds Rs. 70,000

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1976 exceeds Rs. 6,000,—

Rates of income-tax

(1) where the total income does not exceed Rs. 6,000	*Nil*;
(2) where the total income exceeds Rs. 6,000 but does not exceed Rs. 10,000	15 per cent of the amount by which the total income exceeds Rs. 6 000;
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 600 *plus* 20 per cent, of the amount by which the total income exceeds Rs. 10,000;
(4) where the total income exceeds Rs. 15,000 but does not exceeds Rs. 20,000	Rs. 1,600 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 15,000;

(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 3,100 *plus* 40 per cent, of the amount by which the tota income exceeds Rs. 20,000;
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 5,100 *plus* 50 per cent of the amount by which the total income exceeds Rs. 25,000:
(7) where the total income exce ds Rs. 30,000 but does not exceeds Rs. 50,000	Rs. 7,600 *plus* 60 per cent, of the amount by which the total income exceeds Rs. 30,000;
(8) where the total income exceeds Rs. 50,000	Rs. 19,600 *plus* 70 per cent of the amount by which the total income exceeds Rs. 50,000

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	15 per cent of the total income;
(2) where the total income exceeds Rs. 10 000 but does not exceed Rs. 20,000	Rs. 1 500 *plus* 25 per cent of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 4.000 *plus* 40 per cent of the amount by which the total income exceeds Rs. 20,000

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provision of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent of such income-tax.

Paragraph C

Sul-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

( ) where the total income does not exceed Rs. 10 000	*Nil*;
(2) where the total income exceeds Rs. 10 000 but does not exceed Rs. 25,000	5 per cent of the amount by which the total income exceed Rs. 10,000;
(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 750 *plus* 7 per cent of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1 00 000	Rs. 2 500 *plus* 15 per cent, of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00.00	Rs. 10,000 *plus* 24 per cent of the amount by which the total income exceeds Rs. 1,00,000;

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent, of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than nfty-one per cent of such total income,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	*Nil*;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000	4 per cent of the amount by which the total income exceed Rs. 10,000;

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	Rs. 600 *plus* 7 per cent of the amount by which the total income exceeds Rs. 25,000;
(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 2, 350 *plus* 13 per cent. of the amount by which the total income exceeds Rs. 50,000;
(5) where the total income exceeds Rs. 1,00,000	Rs. 8 850 *plus* 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten percent. of such income-tax.

Explanation.—For the purposes of this Paragraph, "registered firm" includes an unregistered firm assessed as a registered firm under clause (b of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income	50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, (31 of 1956),—

Rates of income-tax

(i) on that part of its total income which consists of profits and gains from life insurance business	52. 5 per cent
(ii) on the balance, if any, of the total income	the rate of income tax applicable, in accordance with Paragraph F of this Part, to the total income of a domestic company which is a company in which the public are substantially interested.

Surcharge on income tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent of such income-tax.

Paragraph F

In the case of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, (31 of 1956)—

Rates of income-tax

I. In the case of a domestic company,—

(1) where the company is a company in which the public are substantially interested,	
(i) in a case where the total income does not exceed Rs. 1,00,000	45 per cent. of the total income ;
(ii) in a case where the total income exceeds Rs. 1,00,000	55 per cent. of the total income
(2) where the company is not a company in which the public are substantially interested,—	
(i) in the case of an industrial company,—	
(a) where the total income does not exceed Rs.2,00,000	55 per cent of the total income :
(b) where the total income exceeds Rs.2,00,000	60 per cent of the total income ;
(ii) in any other case	65 per cent of the total income ;

'Provided that—

(i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 1 00,000 (the income of Rs. 1,00,00) for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company) ; and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(ii) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of –

(a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent of the amount by which its total income exceeds Rs. 2,00,000

II. In the case of a company other than a domestic company—

(i) on so much of the total income as consists of—	
(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961, or	
(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964,	
and where such agreement has, in either case been approved by the Central Government	50 per cent;
(ii) on the balance, if any, of the total income	70 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent of such income-tax.

PART IV

[*See* section 2(S) (*e*)]

Rules for computation of net agricultural income

Rule 1.—Agricultural income of the nature referred to in sub-clause (a) of clause (1) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly :

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40-A therein shall be construed as not including a reference to sub-section (3) and (4) of section 40-A.

Rule 2.—Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent in kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (2) and (4) thereof], 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly.

Rule 3.—Agricultural income of the nature referred to in sub-clause (c) of clause (1) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be apply accordingly :

Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to "total income"

therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted.

Rule 4.—Notwithstanding anythting contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (*b*) of section 189 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (*b*) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income, then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6.-Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 7.—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income :

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of section 183 of the Income-tax Act or is a member of an association of persons or body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

Rule 8.—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 9.—(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1975, any agricultural income and the net result of the computation of the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April 1974 is a loss, then, for the purposes of sub-section (2) of section 2 of this Act, the loss so computed shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1975.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1976 or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, or the 1st day of April, 1975, or both, is a loss, then, for the purposes of sub-section (7) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1974, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, and

(ii) the loss so computed for the previous year relevant to the assessment year commencing on thte 1st day of April, 1975,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1976 or the period aforesaid.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules, or the rules contained in Part IV of the First Schedule to the Finance Act, 1974 (20 of 1974), shall be set off under sub-rule (1) or, as the case may be, sub-rule (2).

Rule 10.—Where the net result of the computation made in accordance with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be *nil*.

Rule 11.—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 12.—For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

THE SECOND SCHEDULE

[*See* section 33 (*b*)]

PART I

In the First Schedule to the Central Excises Act,—

(i) in Item No. 1 for the entry in the third column against sub-item (1), the entry "Thirty-seven and a half per cent *ad valorem.*" shall be substituted;

(ii) in Item No. 4, under "I. Unmanufactured tobacco—", for the entry in the third column against sub-item (8), the entry "One rupee and ninety paise." shall be substituted;

(iii) in Item No. 6, for the entry in the thrid column, the entry "Two thousand and one hundred rupees per kilolitre at fifteen degrees of Centigrade thermometer." shall be substituted;

(iv) in Item No. 14D, for the entry in the third column, the entry "Twenty-five per cent *ad valorem.*" shall be substituted;

(v) in Item No. 14F, for the entry in the third column, the entry "Forty per cent ad valorem." shall be substituted;

(vi) in Item No. 16, in the second column, after the words "and includes the inner tube", the words, "the tyre flap" shall be inserted;

(vii) in Item No. 17, for the entry in the third column against sub-item (3), the entry "Ninety paise per kilogram." shall be substituted;

(viii) in Item No. 18A, for the entries in the third column against sub-items (1) and (2), the entries "Ten rupees per kilogram." and "Four rupees per kilogram" shall, respectively, be substituted;

(ix) in Item No. 23, for the entry in the third column, the entry "Thirty-five per cent. *ad valorem.*" shall be substituted;

(x) in item No. 23A, for the entries in the third column against sub-item (1). (3) and (4), the entries "Thirty per cent, *ad valorem.*" Fifteen per cent. *ad valorem.*" and "Thirty per cent *ad valorem.*" shall, respectively, be substituted;

(xi) in Item No. 23B, for the entries in the third column against sub-items (1), (2), (3) and (4), the entries "Thirty per cent. *ad*

valoren.", Forty per cent. *ad valorem.*", ' Forty per cent. *ad valorem.* and "Twenty-five per cent *ad valorem.*" shall, respectively, be substituted;

(xii) in Item No. 26AA, in the second column, the following *Explanation* shall be inserted at the end, namely:—

'*Explanation.*—"skelp" means hot rolled narrow strip of width not exceeding six hundred milimetres, with rolled (square, slightly round or bevelled) edge.';

(xiii) in Item No. 27, for each of the entries in the third column against sub-items (a) (i), (a) (ii), (b), (c), (d), (e) and (f), the entry "Thirty per cent. *ad valorem plus* two thousand rupees per metric tonne." shall be substituted;

(xiv) in Item No. 29A, for the entries in the third column against sub-items (2) and (3) the entries "One hundred per cent, *ad valorem.*" and "One hundred and twenty-five per cent *ad valorem.*" shall, respectively, be substituted;

(xv) in Item No. 33, for the entries in the third column against sub-items (1) and (3), the entries "Fifteen per cent *ad valorem.*" and "Twenty per cent *ad valorem.*" shall, respectively, be substituted;

(xvi) in Item No. 33B, for the entry in the third column against sub-item (i), the entry "Seventeen and a half per cent *ad valorem.*" shall be substituted;

(xvii) in Item No. 48, for the entry in the third column, the entry Twenty per cent *ad valorem.*" shall be substituted.

PART II

Item No.	Description of goods	Rate of duty
1	2	3
	In the First Schedule to the Central Excises Act,—	
	(i) in item No. 4, under "II. Manufactured tobacco—",—	
	(a) for the entries against sub-item (3) the following entries shall be substituted, namely :—	
	"(i) Biris in the manufacture of which any process has been conducted with the aid of machines operated with or without the aid of power	Three rupees and eighty paise per thousand
	(ii) other biris	Eighty paise per thousand.";
	(b) after sub item (4), the following sub-items shall be inserted namely :—	
	"(5) Chewing tobacco	Ten per cent. *ad valorem*
	(6) Snuff	Two rupees and fifty paise per kilogram.";
	(ii) for Item No. 18, the following Item shall be substituted, namely :-	
	'18 RAYON AND SYNTHETIC FIBRES AND YARN INCLUDING TEXTURED YARN, IN OR IN RELATION TO THE MANUFACTURE OF WHICH ANY PROCESS IS ORDINARILY CARRIED ON WITH THE AID OF POWER—	
	(i) Fibres and Yarn- other than Textured Yarn	Eighty-five rupees per kilogram.
	(ii) Textured Yarn produced out of Base Yarn	The duty for the time being leviable on the Base Yarn if, not already paid, *plus* twenty rupees per kilogram
	(iii) Other Textured Yarn	One hundred and five rupees per kilogram.',

Item No	Description of goods	Rate of duty
(1)	(2)	(3)

Explanation I.—"Fibres and Yarn, other than Textured Yarn", shall be deemed to include—.

(*i*) man-made fibres ;

(*ii*) man-made metallic yarn ;

(*iii*) spun (discontinuous) yarn containing not less than ninety parcent by weight of man-made fibres calculated on the total fibre content ; and

(*iv*) man-made filament (continuous) yarn that has not been processed to introduce crimps, coils loops or curls along the length of the filaments,

but does not include bulked yarn and stretch yarn.

Explanation II.—"Textured Yarn" means yarn that has been processed to introduce crimps, coils, loops or curls along the length of the filaments and shall include bulked yarn and stretch yarn.

Explanation III.—"Base Yarn" means yarn falling under sub-item (*i*) of this item from which the Textured Yarn has been produced.

(*iii*) For Item No.33A, the following Item shall be substituted, namely:—

Item No.	Descript on of goods	Rate of duty
(1)	(2)	(2)
"33A	WIRELESS RECEIVING SETS, ALL SORTS, INCLUDING ANY COMBINATION OF TWO OR MORE OF THE FOLLOWING, NAMELY, BROADCAST TELEVISION RECEIVER SETS, RADIOS (INCLUDING TRANSISTOR SETS), GRAMOPHONES INCLUDING RECORD PLAYERS, RECORD PLAYING DECKS AND RECORD CHANGING DECKS) AND TAPE RECORDERS INCLUDING CASSETTE RECORDERS AND TAPE DECKS, IN EACH CASE WHETHER WITH OR WITHOUT LOUDSPEAKERS—	
(1)	Broadcast television receiver sets.	Twenty per cent *ad valorem*
(2)	Radios (including transistor sets).	Three hundred rupees per set.
(3)	Radiograms (including radio or transistor sets with extra space in cabinet for fitting in record plyers or record changers).	Three hundred rupees per set.
(4)	Others	Thirty per cent *ad valorem.*";

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
	(*iv*) for Item No. 43 the following item shall be substituted, namely :–	
"43	WOOL TOPS, THAT IS TO SAY, TOPS CONTAINING MORE THAN FIFTY PER CENT BY WEIGHT OF WOOL CALCULATED ON THE TOTAL FIBRE CONTENT.	Ten rupees per kilogram.";
	(*v*) after Item No. 66, the following Items shall be inserted, namely :–	
'67	GRAPHITE ELECTRODES AND ANODES ; ALL SORTS	Fifteen per cent *ad valorem*.'
68	ALL OTHER GOODS, NOT ELSEWHERE SPECIFIED, MANUFCTURED IN A FACTORY BUT EXCLUDING—	One per cent *ad valorem*.
	(*a*) alcohol all sorts including alcoholic liquors for human consumption ;	
	(*b*) opium, Indian hemp and other narcotic drugs and narcotics ; and	
	(*c*) dutiable goods as defined in section 2(c) of the Medicinal and Toilet Preparations (Excise Duties) Act 1955. (16 of 1955).	
	Explanation.—In this Item, the expressions "factory" has the meaning assigned to in section 2(m) of the Factories Act, 1948 (63 of 1948)	

THE THIRD SCHEDULE

(*See* section 35)

Item No in the First Schedule to the Central Excise and Salt Act, 1944	Description of goods	Rate of additional duty
1	2	3

In the First Schedule to the Additional Duties of Excise (Goods of Special Importance Act, 1957, in Item No. 4 under "I. Manufactured tobacco—" for the entries against sub-item (3), the following entries shall be substituted, namely:—

"(i) Biris in the manufacture of which any process has been conducted with the aid of machines operated with or without the aid of power;	Eighty paise per thousand;
(ii) Other biris	Twenty paise per thousand."

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